



Budgeting 101

With an Introduction to Municipal Finance

Commissioner Timothy J. Rushenberg

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Introduction to Budgeting

- Budgeting is process of taking policy and turning it into a financial plan. The process of budgeting employs multiple disciplines to formulate a:
 - Financial Plan
 - Operations Guide
 - Communications Device
 - Policy Document
 - Standard Criteria of Government Finance Officers Association for budget reviews



Definitions

- ***Budget*** – A plan of financial activity over a given period of time indicating all planned revenues and expense within the period.
- ***Appropriation*** – The legal authorization to incur obligations and to make expenditures for specific purposes.
- ***Budget Calendar*** – Schedule of key dates, which a government follows in preparation and adoption of the budget (IC 6-1.1-17-5).
- ***Encumbrance*** – A commitment of appropriated funds to purchase an item or service.

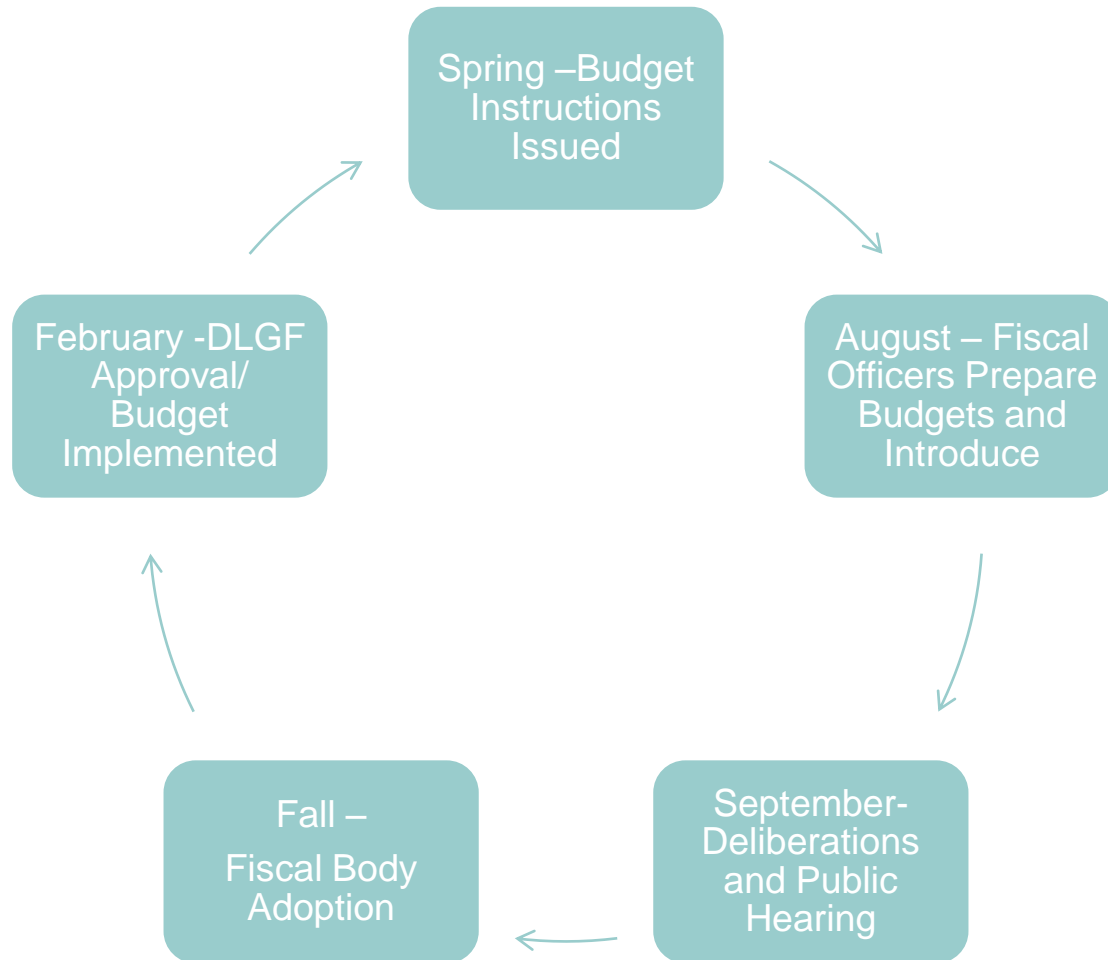


Definitions

- **Expenditure** – The Payment of cash or transfer of property or services for the purpose of acquiring an asset, service, or settling of a loss.
- **Fund** – A set of accounts with revenues and expense which are segregated for the purpose of carrying out a specific purpose or activity.
- **Fund Balance** – The excess of assets of a fund over its liabilities.
- **Revenue** – The sources of income for a government.



Budget Process





Budget Calendar

March 1	Assessment Date of All Property
May	Budget Instructions Issued
June 30	First 6 Months Fund Balances Available. Beginning of 18 Month Budget Cycle
July	Units and Fiscal Officers Prepare Budgets
August 1	Auditor's Certify Net Assessed Values to DLGF
September 15	Last Day To Submit Budget for Non- Binding Recommendation
September 20	Last Day for Public Hearing on the Budget, Rates, and Levies
September 30	Last Day for Fiscal Body to Adopt Budget, Levy, and Rates
December 31	End of Year and End of Budget Period
February 15	DLGF Certifies Budget Orders



Budget Structure

- Budgets are structured to provide legal controls and facilitate accountability
 - Designed so money is used for what it was intended
 - Provide public with accountability
 - Guide and control operations
 - Provides units with the ability to amend the original budget to adjust for changing priorities and emergencies



Budget Structure

- Budgets are organized around several different hierarchies:
 - **Fund Structure** – groups financial activity by the appropriate funds
 - **Account Structure** – describes the financial activity such as salary expense or rent payment
 - **Organization Structure** – Larger organizations will be structured by department, divisions, sections, etc.



Fund Structure

Fund Groups (or Types)

- **General Fund** – all financial activity not required to be posted in other funds
- **Special Revenue Fund** – funds for dedicated purposes
- **Enterprise Funds**- funds for activities that function like a business
- **Capital Funds** – used to acquire physical assets with a relatively long useful life (buildings, fleets, etc.)
- **Internal Service Funds** – clearing accounts for accounting purposes
- **Debt Service Funds** – used for payment of principal and interest expense



Fund Structure (Continued)

Subfunds:

- General Fund (Group):
 - General Government
 - Police
 - Fire
 - Redevelopment
 - Total General Fund



Fund Structure (Continued)

Subfunds:

- Special Revenue Funds

- Sanitation
- Solid Waste collection
- Solid Waste Disposal
- Parking Meter
- Traffic Deferral
- Motor Vehicle Highway
- Local Road & Street

Total Special Revenue Funds



Fund Structure Example

MARION COUNTY 2005 ANNUAL BUDGET

BUDGET BY FUND

Marion County will budget 33 separate funds for 2005. Each fund receives revenue from a variety of sources ranging from property taxes to user fees. The County General Fund is by far the largest of the funds, receiving and expending over 75% of all revenues for Marion County government. A large portion of the General Fund's revenue is not designated for a specific purpose, rather it is for the "general" provision of county government services. The General Fund is a reverting fund in that unappropriated amounts at year-end are returned to the fund balance to be appropriated under Council direction the following year. The majority of County agency budgets are funded out of the General Fund. Special Revenue Funds are established for specific statutory purposes. Revenue for these funds is primarily generated by fees.

2005 Certified Assessed Value	\$39,498,465,731					
Fund	2004 Revised Budget	2005 Approved Budget	2005 Approved Property Tax Levy	2005 Approved Property Tax Rate	2004 Approved Property Tax Rate	
County General	\$ 197,209,438	\$ 190,251,733	\$ 109,450,249	0.2771	0.2671	
MECA	3,123,930	3,144,738				
MECA Emergency Telephone	1,750,926	1,767,754				
Subtotal General Funds	\$ 202,084,294	\$ 195,164,226	\$ 109,450,249	0.2771	0.2671	
Reassessment	\$ 4,284,047	\$ 4,015,420	\$ 1,816,929	0.0046	0.0044	
Law Enforcement	960,807	882,860				
Law Enforcement Equitable Share	288,062	311,000				
Surveyor's Perpetuation	170,622	172,455				
Recorder's Perpetuation	1,561,910	2,222,791				
Auditor's Endorsement Fee	217,842	217,842				
Clerk's Perpetuation Fund	273,000	338,760				
Enhanced Access	101,600	101,600				
Adult Probation	2,382,928	2,602,655				
Juvenile Probation	224,000	180,000				
Guardian Ad Litem	150,000	139,811				
Juvenile Center-Alternative School	562,218	562,218				
Prosecutor's Diversion	940,207	916,965				
Forensics Training Fund	318,784	80,068				
Alternative Dispute Resolution	57,450	636,000				
Alcohol & Drug Services	1,024,018	1,016,584				
Drug Testing Lab Fee	341,514	400,002				
Drug Free Community	514,140	450,000				
County Extrajudicial	144,547	143,188				
Sheriff's Continuing Education	30,000	30,000				
Supplemental Public Defender	205,000	205,000				
Deferral Program Fee	4,116,202	4,027,453				
Jury Pay Fund	250,000	250,000				
Conditional Release	231,158	192,730				
Local Emergency Planning	67,500	67,500				
Subtotal Special Revenue Funds	\$ 19,417,798	\$ 19,526,902	\$ 1,816,929	0.0046	0.0044	
County Misdemeanor Fund	\$ 640,479	\$ 636,000				
Home Detention	72,366	71,188				
Information Services Fund	32,183,105	27,942,591	\$ 111,267,178	0.2817	0.2715	
Subtotal Operating Funds	\$ 254,398,000	\$ 243,340,907	\$ 111,267,178	0.2817	0.2715	
County Cumulative Fund	\$ 5,457,907	\$ 5,206,774	\$ 5,095,302	0.0129	0.0196	
Capital Lease Fund	2,008,423	2,006,000	\$ 1,856,428	0.0047	0.0047	
Total County Funds	\$ 261,864,330	\$ 250,556,681	\$ 118,216,908	0.2993	0.2958	



Organization Structure

- Not all budgets are departmentalized
- DLGF only looks at budgets, rates, and levies by fund (IC 6-1.1-17-16)
- County governments are structured similarly to the state and federal government:
 - Executive; Legislative; and Judiciary
 - Based on separation of powers – This also reflects accounting and auditing principals of division of responsibility to provide a checks and balances



Organization Structure

- **Budget Controls**
 - Control is at the local level by ordinance or resolution and is established at the department, fund, and major classification level
 - Level of control at state level (DLGF) for a budget is by fund and total
- **Penalties (IC 6-1.1-18-10)**
 - If proper officers make excessive appropriation they are guilty of malfeasance in office and they are liable for **125%** of the excessive appropriation.



Account Structure

- Typically referred to as “chart of accounts”
 - Provides groups of similar expenses and revenues giving more information
 - Ex: **Personal Services**
 - Regular Salaries
 - Uniform Salaries
 - Part-time
 - Health Insurance Benefits
 - Pension Contribution
 - FICA



Account Structure

- Generally, account structures use 4 or 5 major categories for expense
 - Sometimes called characters or objects
 - Major categories are:
 - Personal Services
 - Supplies
 - Other Services and Charges
 - Capital
 - Internal Charges (or transfers)



Example

City of Indianapolis and Marion County 2009 Committee Adopted Budget

Criminal Justice Services

MARION COUNTY SUPERIOR COURTS

Source	2006 Actual	2007 Actual	2008 Projected Spend	2009 Dept Request	2009 Proposed Budget	2009 Committee Adopted
COUNTY GENERAL FUND	36,459,032	47,452,417	50,511,811	51,123,320	47,348,366	47,348,366
ADULT PROBATION	2,897,140	2,526,554	2,951,946	2,951,946	2,951,946	2,951,946
JUVENILE PROBATION	32,259	421,791	429,411	429,411	319,646	319,646
GUARDIAN AD LITEM	184,757	182,564	600,000	600,000	600,000	600,000
JUVENILE CRT ALTERNATIVE SCHOOL SERVICES	0	0	0	0	0	0
DIVERSION	58,692	61,058	61,058	61,058	61,058	61,058
ALTERNATIVE DISPUTE RESOLUTION-SUPERIOR	64,311	69,979	80,530	80,530	80,530	80,530
ALCOHOL & DRUG SERVICES	748,459	606,055	761,742	761,742	761,742	761,742
DRUG TESTING LABORATORY FUND	712,321	680,803	652,660	652,660	652,660	652,660
DRUG FREE COMMUNITY	6,463	57,723	72,251	76,500	76,500	76,500
FEDERAL GRANTS	1,810,541	1,075,870	864,295	1,663,638	1,663,638	1,663,638
STATE GRANTS	0	0	32,245	89,200	89,200	89,200
COUNTY GRANTS	148,115	121,097	121,905	39,000	59,145	59,145
DEFERRAL PROGRAM FEE	224,623	229,784	230,660	230,660	230,660	230,660
CONDITIONAL RELEASE FUND	257,597	0	0	0	109,765	109,765
JURY PAY FUND	181,536	100,000	100,000	100,000	100,000	100,000
DRUG TREATMENT DIVERSION PROGRAM FUND	0	47,640	20,185	0	0	0
CUMULATIVE CAPITAL IMPROVEMENT	1,828,256	1,759,078	1,938,000	1,938,000	1,938,000	1,938,000
MARION SUPERIOR COURT DONATION FUND	0	2,000	0	0	0	0
Total:	45,614,104	55,394,412	59,428,698	60,797,665	57,042,856	57,042,856



Simplified Budget Formula

- Beginning cash & investments
- Less projected expense
- Plus Anticipated revenues
- Less encumbrances (purchase orders and outstanding vouchers payable)
- Equals ending cash & investment balances



Budget Approval Process

- Some budgets require board approval
- Nearly all budgets require fiscal body approval (simple majority)
- County councils issue non-binding recommendations for budgets of units that impose a property tax (IC 6-1.1-17-3.5)
- Tax supported funds are required to be reviewed and certified by DLGF



Approval Requirements

- **Minimum Requirements:**
 - Budget must be advertised twice (IC 5-3-1-2)
 - Budgets must have had a public hearing (IC 6-1.1-17-5)
 - Public must have had at least 10 days notice (advertisement) prior to public hearing. DLGF prescribes the format of the advertisement.



DLGF's Role

- DLGF verifies compliance with all advertising and public hearing requirements
- DLGF enforces maximum levy limits
- DLGF uses certified assessed values from county auditor to calculate the property tax rates to generate the levies required to fund the budget
- DLGF adjusts rates and levies when necessary to remain within maximum limits



DLGF's Role (Continued)

- DLGF will only approve funded budgets
- DLGF verifies all financial information submitted by units to formulate budgets
- DLGF conducts public budget hearings before certification
- DLGF calculates and certifies the tax rates to be charged against all taxable property in the county



DLGF's Role (Continued)

- DLGF reviews requests for additional appropriations from funds supported by property taxes, income taxes, MVH or LR & S taxes. Additional are limited to amount of available fund balances
- DLGF authorizes creation and establishment of certain funds
- Reviews appeals for exceptions to the property tax levy limits
- Reviews the establishment of new taxing units



Contact Us

Agency Phone: 317-232-3773

Fax: 317-232-8779

Web: www.in.gov/dlgf/

Email: PropertyTaxInfo@dlgf.in.gov